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SUBJECT: IMF REVIEW: CONTRASTING VIEWS ON MALI'S
PERFORMANCE UNDER POVERTY REDUCTION FACILITY

REF: BAMAKO 349

11. Summary: On November 11, the International Monetary Fund (IMF) completed the third review of Mali's performance under the poverty reduction and growth facility (PRGF) and gave Mali a generally clean bill of financial health. The IMF noted that the GOM was well positioned to reach its 2009 targets: it has a low budget deficit, a low inflation rate, and has shown progress on structural reform. Others in the donor community who provide direct budget support and focus on different benchmarks before disbursing development aid gave a more nuanced assessment. Opposition political parties in Mali have in recent weeks decried what they describe as irregular methods used by the GOM to account for revenue from privatizations. End summary.

High Marks From the IMF

12. From October 30 through November 11, a visiting team from the International Monetary Fund (IMF) conducted its third review of Mali's performance under the poverty reduction and growth facility (PRGF). The review focused on Mali's macroeconomic performance in 2009 and the proposed 2010 budget. The IMF praised the GOM's prudent economic policies, which they projected would allow Mali to reach its 2009 targets. Inflation is projected to remain below two percent, comfortably lower than the Central Bank of West Africa (BCEAO) ceiling of three percent. Mali's budget deficit is projected to be 1.5 percent for 2009, lower than the 1.8 percent previously forecast (reftel). GDP growth in 2009 is expected to be 4.3 percent, higher than the world average in spite of the global economic downturn. The IMF attributed Mali's relative macroeconomic success to limited exposure to global financial markets and to favorable rains, allowing better grain harvests. The IMF also praised the Malian government for its progress toward structural reforms, notably the completion of the privatization of the telecommunications company, SOTELMA, earlier this year.

Donor Partners Describe A Mixed Record

13. The IMF's review was coordinated to some extent with Mali's bilateral and multilateral donor partners, who rely on the IMF's assessments in making determinations for the disbursement of aid. Mali has a large donor community that provides direct budget support to the government, and assistance is contingent on the GOM's attainment of a number of benchmarks. In 2009, the donor group set 38 benchmarks, including the adoption of anti-corruption legislation and the strengthening of capacity of the accounting section of the Supreme Court. Mali's performance under the PRGF is also a benchmark, and for this reason, the donor group has pushed toward greater coordination with the IMF during periodic reviews. Of the 38 benchmarks, the donor group reported 14 had been met, 5 partially met, and 19 not met. These

shortcomings could impede the disbursement of aid in the first quarter of 2010.

¶4. Donors cited the irregular way in which the GOM is accounting for the revenue from SOTELMA's privatization. Rather than counting the revenue as current receipts in the 2009 budget, it is instead be held in an irregular bank account and included piecemeal in the national budget over a multi-year period. In 2010, 25 billion CFA of the total 180 billion CFA has been allocated toward pension payments for SOTELMA employees laid off during privatization. The remaining funds are to be held in the bank account until the GOM decides to allocate it in out-year budgets. Donors feared the SOTELMA revenue would not be used to encourage economic growth, as they believe it should, and worried about a lack of transparency.

Opposition Political Parties Raise Concerns

¶5. In a November 23 meeting with Poloff, Konimba Sidibe, National Assembly Deputy and from the opposition party PARENA, sounded similar concerns about the proceeds from SOTELMA's privatization. Sidibe said the National Assembly had no control in future years over whether the funds would be allocated according to the GOM's initial pronouncements. By way of illustration, he said that when the Banque Industrielle du Mali (BIM) privatization generated 39 billion CFA in 2008 the GOM promised 10 billion CFA would be used in 2008 to finance the internal deficit, 20 billion CFA would be budgeted for use in 2009, and the remaining 9 billion CFA

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would be budgeted in 2010. While the first two tranches of the money had been used as stated, the remaining 9 billion CFA did not appear in the 2010 budget. Sidibe complained the GOM kept cash sitting in a bank account while Mali operated under a deficit. In 2009, the government failed to service a significant amount of domestic debt. Sidibe said the GOM had 26 billion CFA 3 months in arrears, 20 billion CFA 3 to 6 months in arrears, and seven billion CFA more than six months in arrears. He asserted that these payment delays had forced certain domestic service providers into bankruptcy (reftel). Additionally, Sidibe worried that the SOTELMA sales revenue could easily be manipulated by the GOM in the months leading up to the 2012 elections.

¶6. Comment: Concerns expressed by some donors and opposition elected officials are not without merit. Yet more striking to us is that the Malian system is sufficiently transparent that such concerns, including that over the SOTELMA privatization funds, are the subject of lengthy analysis in the press and discussion in the National Assembly. The issue in that case is less one of alleged corruption than a dispute over whether the government should have broad discretion in how and when to allocate the funds and whether its choices are the right ones. Such debate suggests the beginnings of a healthy open system, one that would be envied by many others in Africa and elsewhere. End comment.
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